

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515**

October 29, 2003

**A COMMONSENSE SOLUTION TO NONSENSICAL TAX  
SCHEMES**

Dear Colleague:

Do you believe that the tax environment described by the following stories is likely to help foster business investment and jumpstart our economy?

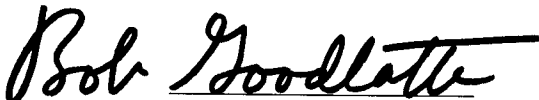
- A small South Carolina software company owned by a husband and wife (annual sales of approximately \$100,000) sells software out of their home to customers located in many states throughout the U.S. The software sales include a license agreement between the company and the purchaser. However, the company has no physical presence in any state except South Carolina and Georgia. Recently, New Jersey revenue authorities asserted that the software licenses created sufficient contacts with the state to justify imposing business activity taxes on the company.

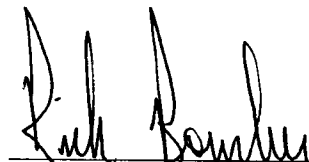
Despite the fact that the company's annual revenues from customers in New Jersey over the past few years have been as low as \$49, New Jersey's claim against the company would require that the company pay a \$500 per year minimum corporate tax and a \$100 per year corporate registration fee.

- According to a recent survey, sixteen states assert that an out-of-state company merely having a website on someone else's server in the state creates a sufficient connection to justify imposing business activity taxes on that out-of-state company.
- The same survey indicates that eleven states believe that an out-of-state company listing a telephone number in a local phone book located in the state is a sufficient connection with the state to justify taxation.

If your answer to the above question is "NO," then help create a tax environment that *does* encourage investment and innovation. H.R. 3220, the Business Activity Tax Simplification Act, codifies the kind of clear, bright line rules that companies need to make important business and investment decisions to innovate and grow across state lines. By requiring a "physical presence" before a jurisdiction can tax an out-of-state business, this legislation helps eliminate the current maze of business activity tax regulations that stifles the growth of good companies.

To cosponsor this important legislation, or to get more information, please contact Branden Ritchie in Congressman Bob Goodlatte's office at x55431, or Hillary Brill in Congressman Rick Boucher's office at x53861.

  
Bob Goodlatte (R-VA)

  
Rick Boucher (D-VA)

  
J. Gresham Barrett (R-SC)